



Revise Federal IMD Exclusion Rule to Allow Medicaid to be Used for Brief Acute Behavioral Health Care Stays

Updated October 26, 2015

Federal Request

Revise the federal Institutions for Mental Disease (IMD) exclusion rule to exempt acute care stays of 30 days or less. This would allow Medicaid to be used nationwide for mental health evaluation and treatment (E&T) facilities as well as substance abuse detoxification and inpatient facilities that are larger than 16 beds (classified as IMDs), thereby preserving critical behavioral health crisis resources.

Unintended Consequences of Current Rule

An outdated rule from 1965 – 42 U.S. Code §1396d – meant to prevent states from shifting the costs of long-term institutionalization of people with chronic behavioral health conditions to Medicaid by moving people from state hospitals to large institutions in the community, is instead exacerbating an already critical shortage of beds for low-income people in need, while placing the burden of paying for acute care on states and local communities.

Under the rule, Medicaid funds cannot be used to reimburse care for adults with behavioral health issues who are in facilities with more than 16 beds (classified as IMDs). This exclusion from Medicaid applies only to people ages 21 to 64, and the 16-bed limit was arbitrary, with no empirical basis.

Gaps in State's Temporary IMD Authority via Waiver: Permanent Legislative Fix Still Needed

In September 2014, the Centers for Medicare and Medicaid Services updated Washington's 1915(b) Medicaid waiver to include temporary and limited authority to use Medicaid funds in IMD facilities for short-term mental health stays in lieu of more expensive inpatient hospital stays.

Although significant, this waiver is subject to biennial renewal by each successive administration, and it does not cover substance abuse services including detoxification and short-term inpatient treatment stays of 30 days or less. Also, it is limited to Washington state only. So a permanent and comprehensive legislative solution is still needed.

Major Acute Care Facilities in King County are Subject to the IMD Exclusion Rule

Two of the largest psychiatric facilities in the state – Fairfax and Navos – as well as the primary sites for substance abuse detoxification are classified as IMDs.

Because there are insufficient resources to meet the need for inpatient treatment, all available beds must continue to be used, whether or not they are in IMDs.

The current waiver authority regarding IMDs does not encompass substance abuse services, so there is still no federal contribution to detoxification or short-term inpatient substance abuse treatment for King County clients. Also, if the state's temporary waiver authority is withdrawn in the future, the two major psychiatric facilities may likewise be forced to close or stop serving involuntary patients, dramatically reducing the availability of acute mental health care.

Local Action: Establishing non-IMD Facilities

Even while the IMD exclusion issue remains unsolved, King County and its partners are moving forward to increase access to non-IMD inpatient beds in our community, including new E&T and detoxification facilities. These initiatives will help to increase capacity, but the exemption to the IMD exclusion remains necessary to meet demand.

Also Support Other Efforts to Limit Exclusion

Several bills are currently pending in Congress that take steps toward partially limiting the exclusion, reauthorize demonstration projects, or study the potential benefits of such changes. We support these provisions, although their limited scope means broader action is needed. We also support proposed revisions to federal managed care rules that would pay for services in IMDs for limited lengths of stay.

Lasting Benefits of an Acute Care Exemption

If the federal IMD exclusion is revised to exempt stays of 30 days or less, individuals in urgent need will have greater access to acute care services. Millions of dollars in state funds would be saved and could be redirected to new and improved community services that in turn reduce demand for emergency care.

For additional information, please contact:

Jim Vollandroff, King County Mental Health, Chemical Abuse and Dependency Services Division, 206-263-8903